



31 October 2013

Appendix 4C Commentary - Quarter ending 30 September 2013

Key Activities for the Quarter

1. During the period the Directors remained very focussed on preserving the Company's working capital and continued to work with MAP Capital Advisors ("MAP Capital"), a Melbourne based independent boutique investment and advisory firm, on the Company's future commercial opportunities and directions (refer ASX Announcements 1 March & 26 March 2013). The outcomes from this work have been slower than originally expected but progress has been made, as reported, and discussed in this report.
2. The Company's cash at bank at 30 September 2013 was \$110K. The Company continued to operate on an absolute minimum cost basis and meeting all expenses as and when they fall due. The Directors and Managing Director continued to forgo their fees during the period.
3. In July 2013 the Company initiated a review of its patent applications for the purpose of assessing the selection of countries, the contemporary relevance and prospective relevance to the Company by considering the following criteria:
 - The costs of continuing to support each patent and the ability of the Company to fund such support;
 - The geopolitical profile of the countries where applications had been made;
 - The likelihood of entering and doing business in each jurisdiction;
 - The risk and benefit (reward) profile of the patent in a particular jurisdiction, and
 - Jurisdictional performance as to upholding patent protection rights.

The Company considers that over time the costs associated with maintaining patents in certain jurisdictions could be reduced without affecting potential opportunities in other countries (ASX Announcement 30 August 2013).

4. During the quarter the Company entered into a Non-Binding Term Sheet ("NBTS") to assess the feasibility of establishing a joint venture company ("JV"). This followed an extensive review, evaluation and analysis with MAP Capital (refer ASX Announcements: 1 March 2013 & 30 August 2013).

MAP Capital recommended that the Company seek to establish an operating facility in Australia to produce banana fibre product for the local market, initially to produce what is known generically as papier mache products, which has a low capital entry requirement – producing items such as egg cartons, wine packaging, fruit packaging and display trays, etc – for fruit and vegetable growers and sellers in Australia. The operation will be based at the Company's factory site at Walkamin in the Atherton Table Lands in Far North Queensland.

PPY will have a 25% shareholding in the JV, with other parties, including investors, the balance. The JV will manufacture the products under an exclusive licence within Australia granted by PPY. The licence will be for a period of 5 years with a right of renewal for a further 5 years subject to the JV meeting agreed performance targets. The operation of the JV will be self-funding. PPY's capital investment will be its existing equipment, site, intellectual property and know-how. PPY will also supply (at the cost of the JV) engineering and management support. (ASX Announcement 9 September 2013)

Update post 30 September 2013

5. The Company entered into agreements with new and certain existing shareholders to raise \$370,000 by way of a placement of 37,000,000 ordinary fully paid shares in the capital of the Company at a price of \$0.01 per new share. The funds raised and shares issued will occur over 2 tranches: Tranche #1 of \$170,000 and issue of 17,000,000 shares has been completed. Tranche #2 for the balance (\$200,000 and issue of 20,000,000 shares) is subject to shareholder approval at the Annual General Meeting of the Company.

The funds raised are to be used to fund working capital requirements and, in particular, to assist the Company in the establishment of the proposed new JV company (refer ASX Announcement 1 October 2013).

6. The Company's consolidated Preliminary Final Report for FY13 was published (ASX Announcement 30 August 2013) and the Full Year Statutory Accounts were published (ASX Announcement 30 September 2013).
7. The Company's 2013 Annual Report was released to the market (ASX Announcement 28 October 2013) and the Annual General Meeting will be held at 11.00 AM on 27 November 2013 (ASX Announcement 28 October 2013).

8. In October 2013 the Company's Managing Director together with MAP's Managing Director and representative from the operator investor travelled to China to inspect, test and procure some identified equipment for the proposed JV. The parties have agreed that the delay in being able to achieve this event has necessitated a delay in consummating the JV deal beyond the 30 days originally envisaged.

ENDS

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

PAPYRUS AUSTRALIA LIMITED

ABN

63 110 868 409

Quarter ended ("current quarter")

30 September 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers		
1.2 Payments for (a) staff costs	(44)	(44)
(b) advertising and marketing		
(c) research and development		
(d) leased assets	(3)	(3)
(e) other working capital	(93)	(93)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received		
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net operating cash flows	(141)	(141)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(141)	(141)
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (provide details if material)		
	-	
Net investing cash flows		
1.14 Total operating and investing cash flows	(141)	(141)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc. *	100	100
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other (provide details if material)		
Net financing cash flows	100	100
Net increase (decrease) in cash held	(41)	(41)
1.21 Cash at beginning of quarter/year to date	151	151
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	110	110

* Relates to part proceeds received in relation to the Company's private placement finalised and allotted on 4 October 2013.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	-
1.25	Aggregate amount of loans to the parties included in item 1.11	
1.26	Explanation necessary for an understanding of the transactions Not applicable	

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank		
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)		

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.
- 2 This statement does give a true and fair view of the matters disclosed.

Donald Stephens

Sign here: Date: 31 October 2013
 Donald Stephens
 (Company secretary)

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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